



OFFICE OF ECONOMIC  
DEVELOPMENT

# Memorandum

**To:** Members of City Council

**From:** Ed Miller, Director of Economic Development *EM*

**Subject:** Creation of Technology Zone

**Date:** January 18, 2002

Virginia cities have the ability to establish, by ordinance, one or more technology zones to attract growth in targeted industries by offering local tax benefits and certain regulatory flexibility. This is to request that City Council consider approving the attached Technology Zone Ordinance Guidelines to establish two zones in the City.

The proposed zones include the Downtown Technology Zone and the **Lynchpin** Technology Zone (see attached maps).

The incentives include a reduction or waiver of certain City fees, a reduction in taxes, and capital investment grants. The purpose of the incentives is to attract new technology driven businesses to the City and encourage those that are here to expand.

To qualify for the incentives, new and expanding firms must meet minimum investment, employment and wage rate criteria.

Passage of this ordinance would provide the City with another economic development tool to help with the creation of high paying jobs and increase the tax base over time.

A minimum of ten localities have the zones in place.

The Industrial Development Authority approved the concept of establishing the zone at the **Lynchpin** Industrial Center at its meeting on January 17, 2002.

Attachments

# DRAFT

## TECHNOLOGY ZONE ORDINANCE GUIDELINES

### DEFINITION

Technology business means a business, which derives its gross receipts from the design, development or other creation, for lease, sale or license of technology based products, processes or related services. Technology based products, processes or related services are defined as engaging in the activity of automation, biotechnology, biomedical research, chemicals, electronics, computer hardware, computer software, defense, energy, environmental, manufacturing equipment, advanced materials, medical applications, pharmaceuticals, photonics, electronic based subassemblies and components, testing and measurements, telecommunications, systems integration, multimedia, e-commerce, **internet** services, transportation, architecture and engineering. The definition of technology business can also be extended to training in the above concentration areas. Technology developers, rather than simply technology users, shall be considered as qualified zone businesses. In no case shall the use of computers or telecommunications services by a business in its internal operations qualify the business as a technology business.

### INCENTIVES

#### **Reduction and/or Waiver of City Fees**

May include fees for building permits, mechanical and gas permits, plumbing permits, electrical permits, sign permits, conditional use permits, and zoning ordinance fees. The fees identified will only be exempt if the qualified zone resident can demonstrate that 100% of the cost of expansion, rehabilitation, or new construction is to house or accommodate a qualified technology business.

#### **Reduction in Taxes**

**Downtown Technology Zone** - A ten-year reimbursement of business license fees (BPOL) to qualified technology businesses while the business is located in the technology zone as follows: During the first five years following application approval, the business will be entitled to a one hundred-percent (100%) reimbursement of its BPOL fees. This reimbursement is limited to eighty-percent (80%) during year 6, **sixty-**percent (60%) during year 7; forty-percent (40%) during year 8; and twenty-percent (20%) during years 9 and 10.

**Lynchpin Technology Zone** - A five-year reduction of business license fees (BPOL) to qualified technology businesses in an amount equal to 80% in year one, 60% in year two 40% in year three, 20% in year four, 20% in year five. Lynchburg Industrial Development Authority incentives may also apply in this zone.

Both zones include a five-year reduction of the Machinery and Tools Tax. This will be one hundred-percent (100%) reimbursement for the first three (3) years of eligibility and fifty-percent (50%) during the remaining two years.

### **Capital Investment Grants**

A five-year grant provided to qualified technology businesses. The grant is based on the net increase in capital investment made within the technology zone. The five-year capital investment grant will be calculated on the net increase in business personal property and real estate taxes paid by a qualified technology business. The grant will be equal to 80% of the net increase in year one, 60% in year two, 40% in year three, 20% in year four, and 20% in year five.

### **BOUNDARIES**

Zone I, known as the Downtown Technology Zone, includes the Central Business District, Lower Basin, the Fifth Street Corridor, surrounding neighborhoods, as well as the land zoned industrial between Carroll and Campbell Avenue (see map).

Zone II, known as **Lynchpin** Technology Zone, is located between Wiggington Road and Lakeside Drive on the City's western boundary.

### **MINIMUM INVESTMENT**

In the Downtown Technology Zone, a minimum capital investment of twenty-five thousand dollars (\$25,000) is required.

In the **Lynchpin** Technology Zone, a minimum capital investment of two hundred fifty thousand dollars (\$250,000) is required.

### **MINIMUM EMPLOYMENT**

#### **Expanding Technology Business**

Increase the average number of full-time employees by ten percent (10%) over a base year or the increase must constitute at least three (3) net new full-time employees, whichever is greater.

#### **New Technology Business**

In the Downtown Technology Zone, create a minimum of three (3) new full-time jobs within one (1) year of the firm's application,

In the **Lynchpin** Technology Zone, create a minimum of 25 new full-time jobs within one (1) year of the firm's application.

Wages paid to the minimum threshold number of full-time employees needed to qualify must be equal to twice the federal minimum wage rate.

### **PROCEDURE**

The Department of Economic Development will qualify the company as set forth by the criteria established in the policy.

A company's appropriateness for the use of the program's incentives can be predetermined through a letter of understanding if requested by the company.

A business seeking to obtain a reduction of taxes under this section shall have the burden of demonstrating, to the satisfaction of the Director of Economic Development, that it meets the definition of a technology business and that it meets all applicable criteria for a reduction.

Except as otherwise specifically provided, nothing set forth within this section shall affect a technology business's status or classification for tax purposes, its obligation to report gross receipts and to file tax returns, or to pay any license issuance fees or local taxes under this program.

Businesses locating in a Technology Zone must apply to the Department of Economic Development in order to receive program benefits. It is still necessary for the business to file all necessary tax applications and pay the taxes when billed in order to receive certification from the Director. The incentives given through the participation in this program will be in the form of reimbursements to the business. The application shall be made by the business within the first 12 months of operation within the Zone and the Director shall investigate and determine that the business is a qualified technology business. It will further be required that the business reapply for the program incentives every year that it is within the program. This will ensure that the business has maintained its investment and job creation requirements and will also verify its status as a technology business. An audit of the submitted information will be conducted by Economic Development for compliance and will be forwarded to the Commissioner of Revenue's office for any tax related issues. Upon certification by the director and proof that no taxes are outstanding at the time of the application, the business will receive the program benefits from the date of original residency within the Zone.

If a business ceases to be a qualified technology business, ceases to meet the minimum criteria or removes its operation from the City of Lynchburg during a year in which the rebate applies, the rebate shall not be available.

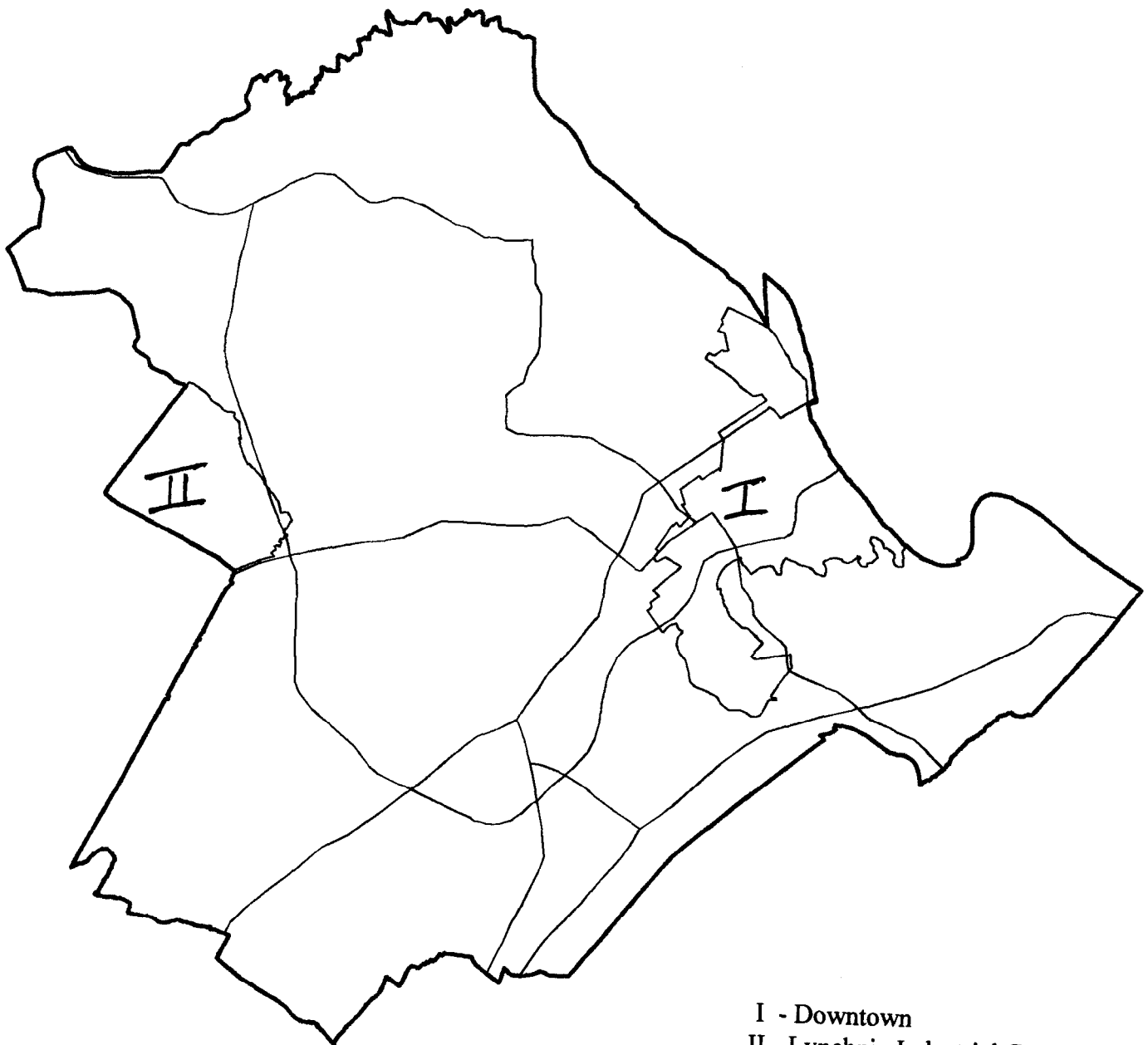
A business firm may qualify for one additional five-year incentive period provided the necessary additional job creation and investment criteria are met as a result of an expansion. A qualified business firm cannot receive benefits under this program for a period longer than ten years.

Any requested waiver of the criteria or procedures contained in this ordinance must be approved by the Lynchburg Industrial Development Authority.

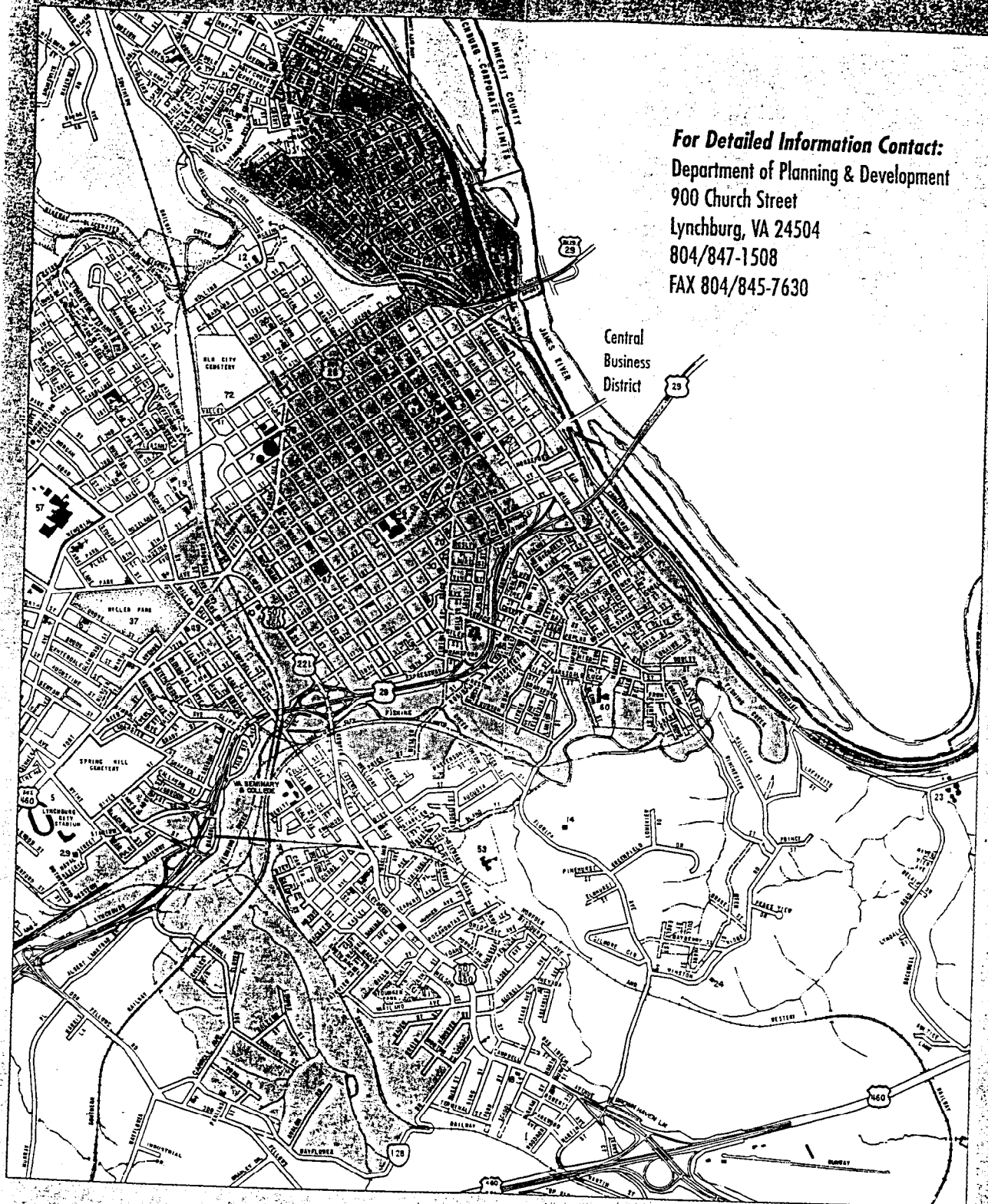
- MainRoads
- CorporateLimit
- E I EnterpriseZone



LYNCHBURG ENTERPRISE ZONES



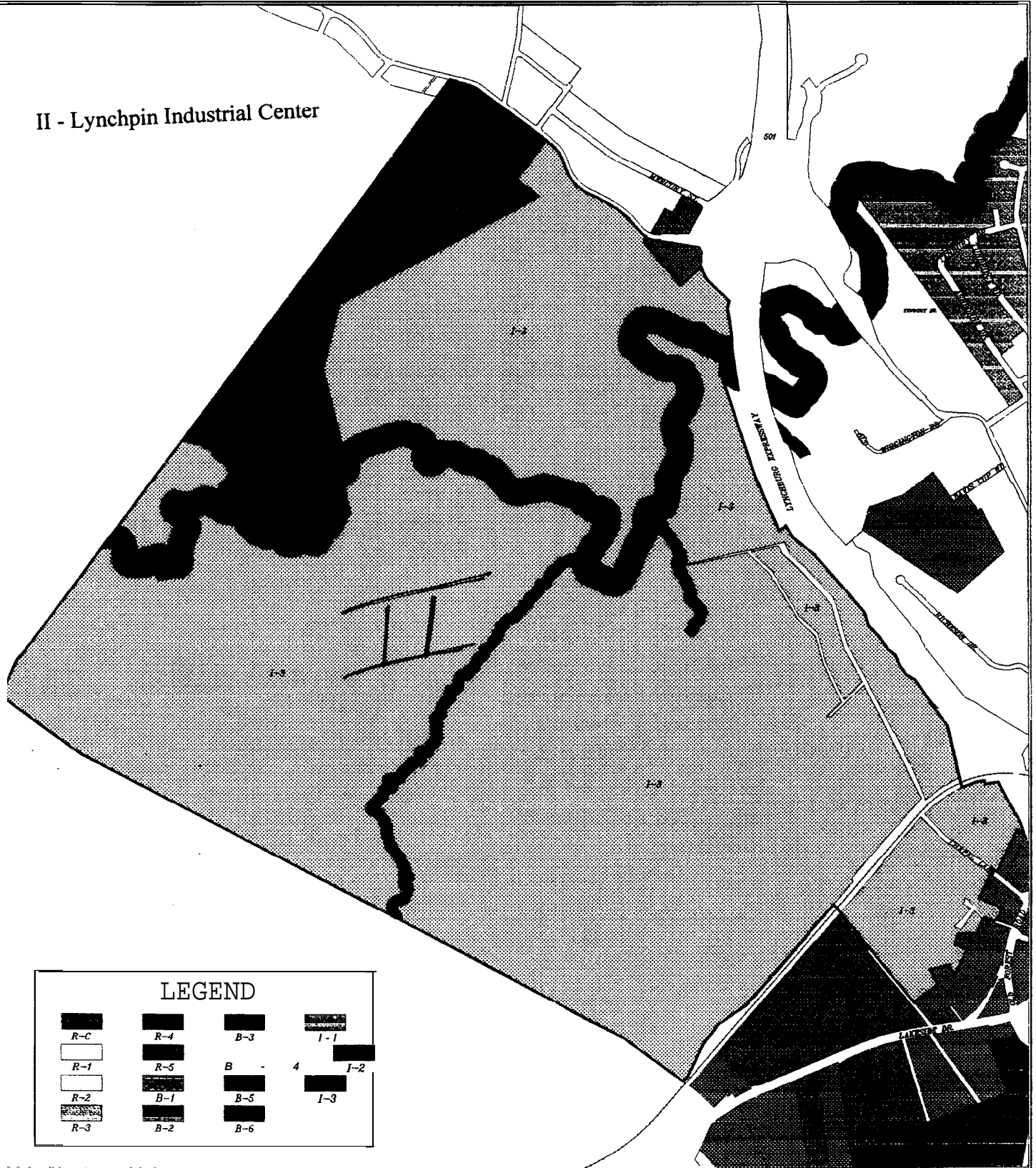
I - Downtown  
II - Lynchpin Industrial Center



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Central  
Business  
District

## II - Lynchpin Industrial Center



### LEGEND




Scale 1 in. to 200 ft.

### ATTACHMENT VI-C Boundaries Of Existing Zoning Districts

Map Prepared By The Department Of Community Planning & Development

Proposed Enterprise Zone Boundaries



QDS Plot Created By T.M.